



2 ETFs to Buy if You're Worried About a Market Pullback

Description

The 21.74% percentage gain of the TSX in 2021 could have been higher if not for the Omicron variant. Everybody thought Canada's primary equities benchmark would match its record performance in 2009 (+30.69%), but the index sputtered in the last month of the year.

As of January 19, 2022, the TSX is down 0.08%, with seven of the 11 primary sectors in negative territory. Some market analysts believe the stock market could be in a rough and tumble situation this year. Besides the ongoing pandemic, inflation is accelerating at a very fast level.

However, if you're into [exchange-traded funds](#) (ETFs) and fear a [market pullback or correction](#), stick to **BMO Canadian High Dividend Covered Call ETF (TSX:ZWC)** or BlackRock's **iShares S&P/TSX Canadian Dividend Aristocrats Index ETF (TSX:CDZ)**.

Highest consumer price inflation

Statistics Canada has reported the 4.8% annual inflation rate in December 2021 was the country's highest consumer price inflation in 30 years. Economists now believe that the Bank of Canada, led by Governor Tiff Macklem, will begin the rate-hike cycle as soon as possible. According to some observers, there could be as many as six increases in the next 12 months.

The **Bank of Nova Scotia** says the feds will implement an aggressive round of monetary tightening to control inflation. Canada's third-largest lender projects the overnight policy rate to be 2% in 2022, from the 0.25% emergency level. The bank forecasts 25-basis-points (bps) hikes in January and March 2022, then by a 50-bps increase in April. Three more 25-bps hikes will follow by year-end.

Buy-and-hold ETF

BMO's ZWC provides investors with exposure to a dividend focused portfolio, while earning call option premiums. The ETF's underlying portfolio is yield-weighted and broadly diversified across sectors. Likewise, the fund manager utilizes a rules-based methodology where dividend growth rate, yield, and

payout ratio are considerations.

Among ZWC's benefits are higher income from equity portfolios, investment in high dividend-paying Canadian companies, and call option writing that reduces volatility. As of January 19, 2022, there are 98 holdings (\$1.35 billion net asset value) led by **CIBC**, **Royal Bank of Canada**, and BNS.

Some investors say ZWC is a buy-and-hold ETF. If you invest today, the share price is \$19.29 (+1.79% year-to-date), while the dividend yield is 6.27%.

High-quality portfolio

Investors in CDZ gain diversified exposure to a portfolio of high-quality Canadian dividend stocks. Currently, the basket has 86 stock holdings, with a net asset value of \$1,017,949,233. The ETF's top three stocks are **Canadian Natural Resources**, **Smart Centres REIT**, and **Enbridge**.

The fund's investment objective is to replicate the **S&P/TSX Canadian Dividend Aristocrats Index**. Note that the asset manager screens the underlying index for large, established Canadian companies. These names should have increased their ordinary cash dividends every year for at least five consecutive years. The benefit to would-be investors is a regular monthly dividend income.

At \$32.43 per share, current investors are up 1.06% year-to-date and partake of the decent 3.13% dividend. Over the last three years, the ETF's total return was a decent 44.43% (13.01% CAGR). Holdings can change because the asset manager rebalances the portfolio every year.

For risk-averse investors

The two ETFs in focus are for [risk-averse investors](#) who are concerned about a market pullback. They should provide uninterrupted, recurring income streams even in a correction.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CDZ (iShares S&P/TSX Canadian Dividend Aristocrats Index ETF)
2. TSX:ZWC (Bmo Canadian High Dividend Covered Call ETF)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

8. Yahoo CA

PP NOTIFY USER

1. cliew
2. jguest

Category

1. Dividend Stocks
2. Investing

Date

2025/09/28

Date Created

2022/01/21

Author

cliew

default watermark

default watermark